CORRECTED FISCAL NOTE

SB 3168 - HB 3230

April 25, 2000

SUMMARY OF BILL: Replaces the TennCare program with three separate programs: (1) a Medicaid managed care program; (2) a Childrens Health Insurance Program and (3) TennPool, a program for non-Medicaid eligible uninsured and uninsurable enrollees. The Medicaid managed care component is to utilize two or more health maintenance organizations. The Children's Health Insurance Program is to be provided by payment through an insurance plan or another entity. The children's program cannot be used to expand eligibility in the state's Medicaid program and is for persons 19 years of age or younger with a family income at or below two hundred percent of the federal poverty level. Participants may be charged annual fees, deductibles and co-payments. The TennPool portion of the program is to provide managed care to eligible uninsured and uninsurable persons and is to be funded with state funds, premiums and Federal revenues, if applicable. The program may set a maximum number of persons to be served. The benefit package is to be no greater than the most basic managed care health plan offered to state employees.

ESTIMATED FISCAL IMPACT:

On March 6, 2000 we issued a fiscal note on this bill which indicated that:

Increase State Expenditures - $185,873,000
Increase State Revenues - $79,197,000/TennCare
Decrease State Revenues - $2,990,770/General Fund
Other Fiscal Impact - Decrease Federal Expenditures -Net Impact - $256,214,000

Based on additional information from the TennCare Bureau, the estimated fiscal impact of this bill is:

Increase State Expenditures - $185,873,000
Increase State Revenues - $79,197,000/TennCare
Decrease State Revenues - $8,277,400/General Fund
Other Fiscal Impact - Decrease Federal Expenditures -Net Impact - $256,214,000

Assumes:

- HCFA will approve the TennPool concept ***without matching Federal participation*** for non-medicaid eligible enrollees but will allow Tennessee to participate and distribute some $287,000,000 in disproportionate share payments (DSH) to safety net providers.
- a loss of the Federal revenues for certified public expenditures (CPE) payments of some $171,494,000 that currently requires no state match.

- a loss of some 223,300 enrollees from the program for a savings of $107,119,000 in state expenditures. An increase in state expenditures of $292,992,000 to make up for the lost Federal CPE funding share, matching payments for DSH, and an increase in Medicaid expenditures.
- an estimated increase in premium revenue of $79,197,000 to the state TennCare program as a result of revisions in premiums for certain TennCare enrollees.
- a decrease in Federal expenditures of $462,231,000 because of no funding match for uninsured and uninsurables and a decrease of $2,261,000 in the CHIP program. An increase in Federal DSH payments of $156,981,000 and $51,297,000 in Medicaid for a net decrease in Federal expenditures of $256,214,000.
- 223,300 uninsured and uninsurable enrollees under 140% of poverty now in TennCare will drop from the program because of the imposition of premiums, (they currently pay no premiums). A portion of those (69,000) will become eligible for Medicaid and some 165,150, including all those over 140% of poverty, will remain in TennPool.
- some increase in administrative costs, no change in the Graduate Medical Education funding, Long Term Care, Services for Custody Children, Medicare Cost Sharing (Dual Eligibles) or the Partner's Program.
- currently the Department of Health contracts with TennCare for enrollment and reverification procedures of the uninsured and uninsurable enrollment population. Approximately $12,500,000 of that contract is state funded and $12,500,000 is federally funded. Estimate assumes loss of federal matching funds for this contract.
- some increase in state expenditures in the Department of Health as the result of increased utilization of public health clinics by former TennCare enrollees.
- a decrease in the 2% premium tax collected from TennCare MCOs of about $8,277,400 because of the decrease in capitation payments.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport

James A. Davenport, Executive Director